



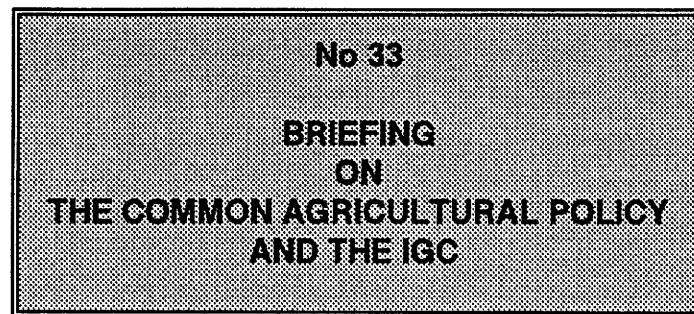
SECRETARIAT WORKING PARTY

TASK-FORCE
ON THE
" INTERGOVERNMENTAL CONFERENCE "

WORKING PARTY SECRETARIAT

JF/bo/278/97

Luxembourg, 3 March 1997



(First update)

PE 166.677
Or. FR

2823 EN

These briefings have been drafted by the Parliament Secretariat Task Force on the Intergovernmental Conference. Their purpose is to gather together, in an organized, summary form, the proposals and suggestions which the authorities in the Member States, the Union's institutions and specialist commentators have put forward on the issues likely to be on the IGC/96 agenda.

Briefings will be updated as negotiations proceed.

Already out:

1. The Court of Justice
2. The Commission
3. The Court of Auditors, ESC and COR
4. Differentiated integration
5. The common foreign and security policy
6. The role of the national parliaments
7. The hierarchy of Community acts
8. Codecision procedure
9. CJHA
10. European citizenship
11. WEU, security and defence
12. Public services
13. Social policy
14. The European Parliament
15. The European Council
16. The Council of the European Union
17. The budget and the IGC
18. The IGC and transparency
19. Subsidiarity and the allocation of powers
20. The Union's legal personality and external representation
21. Commitology
22. Fundamental rights
23. The IGC and the democratic nature of the Union
24. The coherence of the external action of the EU under the first (Community) and second (CFSP) pillars
25. The 1996 IGC and the effectiveness of the Union
26. Europol
27. The IGC and the Schengen Convention
28. Combating fraud
29. Energy
30. Tourism and the IGC
31. Economic and social cohesion
32. European environment policy and the IGC
33. The common agricultural policy and the IGC
34. Civil protection and the IGC
35. Non-discrimination on sexual grounds
36. EU enlargement
- 36a. Accession of the CEECs - outlook for agriculture
37. Employment and the IGC
38. The IGC and Economic and Monetary Union
39. Asylum and immigration policy
40. Social exclusion and the IGC
41. Children and the IGC
42. Fight against drugs and the IGC
43. The IGC and the fight against racism
44. Youth and the IGC

BRIEFING ON THE COMMON AGRICULTURAL POLICY AND THE IGC

CONTENTS

	<u>Page</u>
1. The Intergovernmental Conference agenda	4
2. The CAP	4
3. The 1992 Reform	5
4. Positions adopted by the institutions	
4.1 The Council	5
4.2 The Commission	6
4.3 Parliament	7
5. Positions adopted by the Member States	
5.1 Belgium	8
5.2 Denmark	8
5.3 Greece	8
5.4 Spain	9
5.5 France	9
5.6 Italy	9
5.7 Netherlands	9
5.8 Austria	9
5.9 Finland	10
5.10 Sweden	10
6. The Reflection Group Report	10
7. Other opinions	
7.1 Intergroup	10
8. Conclusions	11

**BRIEFING
ON
THE COMMON AGRICULTURAL POLICY AND THE IGC**

1. THE INTERGOVERNMENTAL CONFERENCE AGENDA

The CAP does not officially appear on the agenda for the 1996 IGC, but it is an issue on two grounds:

- It has been the subject of extensive reform since 1992. The Madrid Council of 15 and 16 December 1995 called for the reform of the CAP to be continued.
- It also constitutes the main challenge in the enlargement of the European Union. At a meeting held at the conclusion of the 1995 Madrid Summit, the European Council and the CEECs agreed to discuss the practical arrangements for enlargement, with particular reference to the CAP.

2. THE CAP

From the outset, agriculture has always been one of the priority areas of European policy, and is covered by the provisions of Articles 38 to 47 of the current EC Treaty.

1. Article 39(1) sets out the objectives of the common agricultural policy as follows:

'(a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labour;
(b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
(c) to stabilize markets;
(d) to assure the availability of supplies;
(e) to ensure that supplies reach consumers at reasonable prices.'

2. Article 39(2) specifies that:

'In working out the common agricultural policy and the special methods for its application, account shall be taken of:
(a) the particular nature of agricultural activity, which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions;
(b) the need to effect the appropriate adjustments by degrees;
(c) the fact that in the Member States agriculture constitutes a sector closely linked with the economy as a whole.'

3. THE 1992 REFORM

In 1992 the CAP was the subject of a major review which altered the basic principles on which the policy was based. The aim of the reform was to lessen the system's reliance on price support, and to make direct compensatory payments the principal means of providing support to farmers. The long-term effect is to transfer the financial burden from the consumer to the taxpayer.

Since its implementation, the new reform can be said to have had a positive impact. According to Eurostat, average agricultural income now stands at its highest level for the past 20 years. However, there are still appreciable disparities between Member States, and agricultural income has in fact fallen in some countries. Notwithstanding such disparities however, Eurostat attribute the upward trend to three main factors:

(1) the continuation of the reform of the common agricultural policy, including a further cut in price support for cereals and beef and veal, and the upgrading of direct compensatory payments;

(2) a slight increase in the volume of final production (except in respect of vegetables and fresh fruit);

(3) a degree of stabilization of real agricultural prices, owing to the rationalization of agricultural markets, and to a recovery in prices following a marked fall-off in 1992 and 1993.

4. POSITIONS ADOPTED BY THE INSTITUTIONS

The European Institutions are in favour of the continuation of the CAP reforms which began in 1992. They do, however, consider that the operation of this Community policy will probably have to be revised in the light of enlargement.¹

4.1 The Council

The Agriculture Council meeting of 22 January 1996 heard a statement by Mr Luchetti setting out the Italian Presidency's programme. Discussions focused on adjustments to the Community system in two major areas in which progress has long been held up by major differences of opinion: the banana sector and the reform of the wine-growing sector. The dispute between Europe and the United States over hormones in beef (which has led to the US Secretary of Agriculture lodging a complaint with the WTO) was also raised, and the European position was upheld.

¹For greater detail on the attitudes of the European Institutions to the impact of the accession of the associate countries please see Briefing No. 36a, on CEEC accession and the 1996 IGC: The Outlook for Agriculture.

Completion of the reform of the CAP was a central concern of the Italian Presidency. Other objectives were:

- (1) adoption of the prices package for the next marketing year, together with various measures to simplify and rationalize the CAP, on which work has already started;
- (2) adoption of specific measures for hill farming;
- (3) conclusion of current work relating to the banana sector.

At the informal meeting in Otranto in early May 1996 it had the Fifteen deliberate on the liberalization of trade in agricultural products in the event of the establishment of free trade areas with third countries. Here it, like the Council of Ministers of Agriculture, expressed its concern over the impact of the proliferation of planned free trade zones on the future of Community agriculture.

The Dutch Presidency, which began on 1 January 1997 has delivered its views on agriculture, emphasizing the following points:

- Taking into account the Mac Sharry reforms and the implementation of the Uruguay Round which are having a considerable impact on the CAP in that market mechanisms are applying in more sectors, the Dutch Presidency will in particular be seeking to reach a consensus on farm prices for the 1997/1998 marketing year.
- It also favoured enlargement, but drew attention to the fact that this would require preparation by both Member and Associate States in respect of the various aspects of Community policy. In this respect it will be seeking, within the framework of the structured dialogue with the CEECs, to continue the talks which have already started, on agriculture in particular.

One of the topics at the informal meeting of the Council of Ministers of Agriculture from 25/27 May 1997 to deliberate on the future of the CAP will be a review of Community policy on dairy products.

4.2. The Commission

The Commission's current policy on agriculture is to pursue the reform begun in 1992, rather than to carry out a further review of the common agricultural policy. On the basis of information supplied by Eurostat, the Commissioner with responsibility for agriculture, Mr Franz Fischler, considered that the results of the CAP reforms should be enough to convince producers of the benefits they could draw from a balanced market and should encourage reform in other areas, in particular the wine, fruit and vegetables and olive oil sectors. If the current approach is endorsed it should be possible to implement it well beyond the year 2000.

However, on 20 January 1997 at the East-West Agricultural Forum (organized as part of Green Week in Berlin) the Commissioner pointed out that in all probability some adjustments to the CAP would be necessary on account of the foreseeable impact of EU enlargement, of which the first accessions would not take place before the year 2003, and of factors arising in 1999 affecting the Union as it now stands. He stated that:

- The farm surpluses problem would worsen in the EU in years to come (especially in respect of beef and veal, cereals, milk, olive oil and wine) but it would be wrong to see that as a direct consequence of eastward enlargement. Enlargement would indeed accentuate the trend in some cases, but the EU would have to face up to the problem in any event, even if there were no enlargement.
- 1999 would be a key year for agriculture, as three important decisions would have to be taken on:
 - (i) the EU's new financial perspective after 1999:
 - (ii) the start of new international negotiations on trade in agricultural products (with several exporting countries such as the United States and the Cairns Group pushing for fresh liberalization);
 - (iii) the reform of the Structural Funds (80% of the territory is rural).

4.3. The European Parliament

Parliament's position on agricultural policy in relation to the IGC is set out in Part E 10(v) and (vi) of its resolution of 17 May 1995, based on the Bourlanges-Martin report on the functioning of the Treaty on European Union with a view to the 1996 Intergovernmental Conference - Implementation and development of the Union which reads:

- '(v) Agricultural policy, as a decisive area of Union policy, should have as its objectives ecologically and socially compatible farming together with sustainable regional development.
Agricultural policy should be better integrated with food policy, rural development and environmental considerations and be better incorporated within the normal budgetary process.
The Union's powers in the agricultural sector largely evade the direct scrutiny of national parliaments and must be subject to greater democratic control by the European Parliament; in fact, responsibility for agricultural markets and prices policy, and thus for farm incomes policy, has long been outside the control of national parliaments.
The objectives of the CAP set out in Article 39 of the Treaty should be adjusted to include in particular the concept of 'rural development'.
- (vi) Powers in the field of fisheries need to be dealt with independently of those in the field of agriculture. The common fisheries policy should be re-examined in

accordance with the founding principles underlying the institution of the common policy, i.e. conservation and relative stability.'

At the sitting of 14 December 1995, Parliament urged the Council 'to define a mandate for the IGC which takes account of the priorities established by Parliament in its resolution'. It also endorsed the position adopted by the Westendorp Reflection Group, stating that 'to meet the challenge of enlargement, substantial reforms are required as well as proper implementation of existing European policies'. (Resolution on the agenda for the 1996 Intergovernmental Conference with a view to the Madrid European Council)

5. POSITIONS ADOPTED BY MEMBER STATES

It was not possible to include the positions of all the Member States, as the CAP is not a topic for specific discussion at the IGC.

5.1. Belgium

The Belgian position is set out in the 'Policy note from the government to parliament on the 1996 IGC', adopted by the Council of Ministers on 13 October 1995. The Belgian Government states its belief that the common agricultural policy was one of the main challenges facing the Union. It noted that the CAP was the product of basic solidarity and an essential system of balances within the European Union. While it believed that agricultural policy should be dealt with separately and given a thorough overhaul, it felt that the IGC was not the right forum for discussing a renegotiation of the CAP.

5.2. Denmark

The Danish Government set out its position on the IGC in a report submitted by the Foreign Ministry in June 1995. In the report, which dealt with the common agricultural policy only within the context of CEEC accession, the government maintained that the implications of enlargement should be examined during the Intergovernmental Conference or in a parallel forum. It acknowledged, however, that discussion of such subjects would very probably not take place for some time yet.

5.3. Greece

The Greek Government set out its official position on the work of the IGC in a memorandum entitled 'Towards a People's Europe - Democracy and development', published in January 1995. It believes that:

- (i) the common agricultural policy should be strengthened and amended;
- (ii) new approaches should be adopted and
- (iii) decision-making procedures should be changed.

5.4. Spain

Spain held the Presidency of the Union during the second half of 1995. A document entitled 'The 1996 Intergovernmental Conference: an outline of the Spanish position' was drawn up. The document raised the possibility of the debate on amendment of the CAP being reopened with the help of the IGC, and focused on enlargement's potential impact on CAP funding, proposing that provision be made for very long transition periods.

5.5. France

On 23 May 1995 the French Prime Minister, Mr Alain Juppé, outlined his government's position on the IGC during his first general policy statement before the National Assembly. He stated that France's general philosophy was based on its commitment to a single Europe and to preserving the 'acquis communautaire' and the common policies. Mr Juppé said that all the mechanisms relating to the CAP should be retained following the forthcoming enlargements. He also spoke out in favour of Community preference.

The French President, Mr Jacques Chirac, stated in a letter written jointly with the Chancellor of the Federal Republic of Germany, Mr Helmut Kohl, that the basic criteria for the funding of common policies after 1999 had to be determined within the next five years.

5.6. Italy

In a communication of 23 February 1995 the Italian Government set out the broad lines of its foreign policy. With a view to enlargement, the government maintained that it was vital for concrete progress to be made during the Intergovernmental Conference. Furthermore, adjustments would have to be made to the common agricultural policy.

5.7. Netherlands

The Dutch Government's position on agricultural policy focuses mainly on the impact of enlargement. Owing to concerns that the sizeable financial implications of enlargement might lead to an appreciable increase in the Netherlands' contribution to the EU budget, the government is in favour of a revision of the current CAP regulations. ('Note on enlargement of the European Union: possibilities and obstacles', 14 November 1994)

This position was endorsed in a memorandum of 12 July 1995, on institutional reform in the European Union, which restated the need to adjust the CAP. However, the Dutch Government expressed the conviction that the IGC and the CAP, together with other issues relating to the future of the Union (such as the funding system and enlargement), would have to be dealt with separately and according to their own specific rules, in order to ensure a successful outcome to the negotiations.

5.8. Austria

The Austrian Government expressed its reservations about starting any discussion of CAP reform at the Intergovernmental Conference. The government's guidelines on the

probable topics for the 1996 IGC also indicate that it is extremely sensitive to environmental issues. For example, it calls for 'environment-friendly agricultural production' to be included among the objectives set out in Article 39 of the Treaty.

5.9. Finland

Environmental considerations were Finland's main concern with regard to the CAP. This is borne out in a Foreign Ministry memorandum of 18 September 1995, which recommended that the introduction of environmental objectives be made one of the priorities of the Treaty review.

5.10. Sweden

The Swedish Government believed that the Intergovernmental Conference was one step in the ongoing process of enlarging and deepening the Union, and must not hold up other equally important projects, such as CAP reform. (Note of July 1995 on Sweden's fundamental interests with a view to the 1996 Intergovernmental Conference)

6. THE REFLECTION GROUP REPORT

The report submitted by the Westendorp Group makes no direct reference to agriculture. It focuses mainly on the need for institutional and Community reform, with a view to ensuring that the forthcoming reforms are completed successfully. With regard to common policies, the report stresses the need to safeguard the 'acquis communautaire', while ensuring a certain degree of flexibility with a view to facilitating enlargement.

7. OTHER OPINIONS

7.1 Land Use and Food Policy Intergroup

The Land Use and Food Policy Intergroup (LUFPIG) is an unofficial grouping of MEPs - not all of whom are experts on agriculture - who meet regularly to discuss ways of improving the CAP. The group itself has no political affiliations, and draws its members from almost all the political groupings within the European Parliament.

In April 1995, the group published a document entitled 'The Secret Garden', dealing with agricultural decision-making and the need to amend the Treaty at the 1996 Intergovernmental Conference. The document made practical suggestions as to how to reform the common agricultural policy, recommending above all the revision of the Treaty articles on which the CAP is based, given that those articles had not been revised since 1958 and were now out of date. There was also a need to formulate an adequate land use policy, and to acknowledge that agriculture had a social function.

The intergroup voiced some degree of concern over CAP decision-making, management and funding, and the influence of agricultural lobbies. In its view, the agricultural reform

process was more likely to be slowed down by a lack of political will than by a lack of money.

The document also emphasized the fact that Parliament did not as yet have the right to scrutinize the Union's compulsory expenditure, despite the fact that such expenditure accounted for nearly 50% of the budget. It was essential to do away with the distinction between compulsory and non-compulsory expenditure, in order to ensure that Parliament's right of scrutiny under the Treaty extended to all areas of EU expenditure.

During an unofficial public hearing held by the group at the end of January 1996, it was acknowledged that there was little possibility of the CAP appearing on the agenda for the IGC. However, all those present expressed the hope that the agricultural policy criteria would none the less be revised in the near future.

8. CONCLUSIONS

Although the CAP is not on the agenda for the IGC, it is under scrutiny from all sides, driven by two factors:

- one internal, in that it is already undergoing extensive reform, which began in 1992. It will also be subject to amendment or reform under the WTO, and
- the other being the push to incorporate the CEECs, which is desired by the Member States of the Union and the Associate States, will however increase the cost of the various aspects of Community policy. In agriculture, the accession of the CEECs is likely to bring about changes or even a fresh reform of the CAP in that their economies are more agriculturally-oriented than the Community average.

* * * * *

For further information on this briefing please contact Mr Barrau or Miss Gnassou, IGC Task Force, tel. 284 3616 or 284 2566 (Brussels); fax. 284 4955 (Brussels).

1

2